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| <b>Contact</b>  | <a href="#">Fran Dunshee</a> | <b>Revision</b>       | 3.0        |
| <b>Document</b> | Charter 10300.001            | <b>Effective Date</b> | 04/01/2016 |
|                 |                              | <b>Review Date</b>    | 04/01/2021 |

## INTERNAL AUDIT CHARTER AMES LABORATORY

This charter defines the mission and scope of work of the Internal Audit (IA) structure and function of the Ames Laboratory.

### 1.0 APPROVAL RECORD

Reviewed by: Document Control Coordinator (Hiliary Burns)  
 Reviewed by: Sean Whalen (ESH&A Manager)  
 Approved by: Chief Operations Officer (Mark Murphy)  
 Approved by: Associate Director for Sponsored Research Administration (Deb Covey)  
 Approved by: Assistant Director for Scientific Planning (Cynthia Jenks)  
 Approved by: Chief Research Officer (Duane D. Johnson)  
 Approved by: Deputy Directory, (Thomas A. Lograsso)  
 Approved by: Director (Adam J. Schwartz)  
 Approved by: Senior Vice President for Business and Finance, Iowa State University and  
 Chairman of the Ames Laboratory Operations Review Committee (Warren R. Madden)

The official approval record for this document is maintained by the Training & Documents Office, 105 TASF.

### 2.0 REVISION/REVIEW INFORMATION

The revision description for this document is available from and maintained by the author.

### 3.0 POLICY STATEMENT AND MISSION

It is the policy of the Ames Laboratory to maintain an independent and objective internal audit function to provide the Ames Laboratory Director, the Senior Vice President for Business and Finance at Iowa State University and senior management at Ames Laboratory with information and assurance on the governance, risk management and internal control processes of the Ames Laboratory. Further, it is the policy of the Ames Laboratory to provide the resources necessary to enable Internal Audit (IA) to achieve its mission and discharge its responsibilities under its Charter. Internal Audit is established by Contract DE-AC02-07 CH1138 between the Department of Energy and Iowa State University, the contractor. Internal Audit's responsibilities are defined by the DOE Contract requirements and by professional requirements. DOE requirements for Internal Audit are addressed through the Cooperative Audit Strategy, as outlined in DOE Acquisition Guide 70, part 4.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Code of Ethics in Attachment 1 is also incorporated into this Charter.

The mission of Ames Laboratory's Internal Audit is to provide Ames Laboratory's management, the Contractor (Iowa State University) Senior Vice President for Business and Finance, the Department of Energy financial managers, the Department of Energy' Inspector General's office and the Ames Laboratory Operations Review Committee (ALORC) independent, objective assurance and consulting services designed to add value and to improve operations. We do this through communication and collaboration with management to assist the Laboratory community in the discharge of their oversight, management, and operating responsibilities. IA brings a

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systematic and disciplined approach to evaluating and improving the effectiveness or risk management, control and governance processes.

#### 4.0 AUTHORITY

IA functions under the policies established by Contract between Iowa State University, and the Department of Energy, Contract DE-AC02-07CH1138.

IA is authorized to have full, free and unrestricted access to information including records, computer files, property and personnel of Ames Laboratory, as relevant to audit objectives, and in accordance with the authority granted by approval of this charter and applicable federal and state statutes; except where limited by law, the work of IA is unrestricted. IA is free to review and evaluate all policies, procedures and practices for any Ames Laboratory activity, program, or function.

In performing the audit function, IA has no direct responsibility for, nor authority over any of the activities reviewed. The internal audit review and approval process does not relieve other persons in the Ames Laboratory of the responsibilities assigned to them.

#### 5.0 INDEPENDENCE, OBJECTIVITY AND REPORTING STRUCTURE

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by Professional Standards, as promulgated by the Institute of Internal Auditors, through articulation of the *International Professional Practices Framework*. To provide for the independence of Internal Audit, the Chief Audit Officer reports functionally to the Chairman of the Ames Laboratory Operations Review Committee, the Senior Vice-President for Business and Finance of Iowa State University. The Chief Audit Officer reports administratively to the Laboratory Director.

IA will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances.

#### 6.0 RESPONSIBILITIES AND SCOPE OF WORK

The scope of IA work is to determine whether Ames Laboratory's network or risk management, control and governance processes, as designed and represented by management at all levels, is adequate and functioning in a manner to ensure:

- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within Ames Laboratory.
- Financial and operational information is accurate, reliable, and timely. This includes evaluating the integrity of information and the means used to identify, measure, classify and report such information.
- Government assets are appropriately safeguarded, controlled and the existence of assets verified.
- Employees' work actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Evaluation of systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on Ames Laboratory.

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- Reporting significant risk exposures and control issues to senior management and other governance entities.
- Quality and continuous improvement are fostered in Ames Laboratory's risk management and control processes.
- Significant legislative and regulatory compliance issues impacting Ames Laboratory are recognized and addressed appropriately.
- Effective organizational performance management and accountability is fostered.
- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports Ames Laboratory strategies and objectives.

Opportunities for improving management control, quality, an effectiveness of services, and Ames Laboratory's image identified during audits are communicated by IA to the appropriate levels of management.

## 7.0 NATURE OF ASSURANCE AND CONSULTING SERVICES

Internal Audit performs two types of projects:

- **Audits:** Assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes. Examples include financial, performance, compliance and systems security engagements.
- **Consulting Services:** The nature and scope of which are agreed upon with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews, recommendations (advice), and facilitation.

Note: Quality Assurance is maintained through periodic Internal Quality Assessments reportable to the Laboratory Director and the Senior VP for Business and Finance with the Contractor (ISU). An external peer review is also periodically performed.

## 8.0 STANDARDS OF AUDIT PRACTICE

The Internal Audit Office will meet or exceed the *International Professional Practices Framework (Standards)* promulgated by The Institute of Internal Auditors. At a minimum, Internal Audit complies with relevant professional standards, and the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics and the International Professional Practice Framework. This mandatory guidance constitutes principles of the fundamental requirements of the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit activity performance. Internal Audit also complies with the Cooperative Audit Strategy with the Department of Energy and in doing so realizes compliance to Contract requirements.

## Attachment 1

### CODE OF ETHICS

#### PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

**1. Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

**2. Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments

**3. Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

**4. Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

#### RULES OF CONDUCT

**1. Integrity**

Internal auditors:

- Shall perform their work with honesty, diligence, and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- Shall respect and contribute to the legitimate and ethical objectives of the organization.

**2. Objectivity**

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- Shall not accept anything that may impair or be presumed to impair their professional judgment.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

**3. Confidentiality**

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties.
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

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#### 4. Competency

Internal auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- Shall continually improve their proficiency and the effectiveness and quality of their services.